



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Senate Committee on Small Business, Emergency Preparedness, Workforce Development,
Technical College and Consumer Protection Hearing, March 5, 2008

SB 453 – Airport Development Zones and Technology Zones Credits (Sen. Kreitlow)

Description of Current Law and Proposed Change

Under current law, the total amount of income and franchise tax credits that taxpayers may claim for conducting business in all airport development zones, for all taxable years, is \$9,000,000.

Also, the Department of Commerce may designate up to eight areas in the state as Technology Zones. The maximum eight Technology Zones have been designated. The total amount of income and franchise tax credits that taxpayers may claim for conducting business in a technology zone is \$5,000,000.

Under this bill, the Department of Commerce may allocate the amount of unallocated airport development zone tax credits to technology zones for which the \$5,000,000 maximum has been allocated, except that the total amount allocated from the airport development zone program to all technology zones may not exceed \$6,000,000.

Fairness/Tax Equity

- Businesses that are located outside of a technology zone would not be eligible for the credit.

Impact on Economic Development

- The credit may provide an incentive for investment and creation of jobs in the technology zones.
- To the extent that the airport development zone appears to be underutilized, the allocation of unused credits to the technology zones would provide greater economic development incentives.

Administrative Impact/Fiscal Effect

According to information supplied by the Department of Commerce, no airport development zones have been designated, and there are no pending applications for designation. Therefore, in the absence of this bill, it is likely that there would be no revenue lost during the biennium through the designation of an airport development zone.

The first technology zones were designated July 1, 2002, and at least one is reaching its statutory limit of \$5 million in tax credit. Therefore, during the life of the technology zone tax

credits were allocated at an average rate of \$833,333 per year (\$5 million / 6 years). In addition, in tax year 2005 approximately 50% of the amount of Technology Zone credit that had been claimed was used. Assuming that tax credits would be transferred from the airport development zones to technology zones at the same rate, and assuming that 50% of the transferred credits claimed are used in the year claimed, then the fiscal effect of the bill is estimated to be a revenue loss of approximately \$417,000 in FY09 ($\$833,333 \times .5$).

Contact: Sherrie Gates-Hendrix, (608) 267-1262

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Assembly Committee on Jobs and the Economy Hearing, March 6, 2008

AB 789 – Airport Development Zones and Technology Zones Credits (Rep. Wood)

Description of Current Law and Proposed Change

Under current law, the total amount of income and franchise tax credits that taxpayers may claim for conducting business in all airport development zones, for all taxable years, is \$9,000,000.

Also, the Department of Commerce may designate up to eight areas in the state as Technology Zones. The maximum eight Technology Zones have been designated. The total amount of income and franchise tax credits that taxpayers may claim for conducting business in a technology zone is \$5,000,000.

Under this bill, the Department of Commerce may allocate the amount of unallocated airport development zone tax credits to technology zones for which the \$5,000,000 maximum has been allocated, except that the total amount allocated from the airport development zone program to all technology zones may not exceed \$6,000,000.

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The first technology zones were designated July 1, 2002, and at least one is reaching its statutory limit of \$5 million in tax credit. Therefore, during the life of the technology zone tax credits were allocated at an average rate of \$833,333 per year (\$5 million / 6 years). In addition,

in tax year 2005 approximately 50% of the amount of Technology Zone credit that had been claimed was used. Assuming that tax credits would be transferred from the airport development zones to technology zones at the same rate, and assuming that 50% of the transferred credits claimed are used in the year claimed, then the fiscal effect of the bill is estimated to be a revenue loss of approximately \$417,000 in FY09 ($\$833,333 \times .5$).

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